

Message Text

CONFIDENTIAL

PAGE 01 EC BRU 03526 01 OF 03 211908Z

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ACTION SS-25

INFO OCT-01 ISO-00 /026 W
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R 211804Z APR 75
FM USMISSION EC BRUSSELS
TO SECSTATE WASHDC 8711
INFO USMISSION NATO

C O N F I D E N T I A L SECTION 1 OF 3 EC BRUSSELS 3526

EXDIS

E.O. 11652: GDS
TAGS: US, EEC
SUBJECT: SITUATION ON EUROPE'S SOUTHERN FLANK -- THE EC PERSPECTIVE

REF: STATE 81646

1. I BEGIN SUMMARY: THE EUROPEAN COMMUNITY HAS LONG BEEN WORKING TOWARD A MEDITERRANEAN POLICY. ITS ECONOMIC INTEREST IN THE AREA IS STRONG; IT HAS LEVERAGE ALTHOUGH FEW POLICY INSTRUMENTS ARE CURRENTLY AVAILABLE TO IT. THE NINE ARE BEGINNING TO HARMONIZE THEIR FOREIGN POLICIES TOWARD THE AREA. USE OF THE COMMUNITY'S ECONOMIC LEVERAGE TO BOLSTER NATO'S SOUTHERN FLANK WOULD REQUIRE GETTING AROUND A NUMBER OF INSTITUTIONAL AND POLITICAL BARRIERS. HOWEVER, CURRENT SIMULTANEOUS POLITICAL CRISES IN ALMOST THE ENTIRE NORTHERN MEDITERRANEAN TIER MAY WELL MAKE IT WORTHWHILE FOR THE US TO ENCOURAGE A MORE ACTIVE COMMUNITY POLICY TO BUTTRESS OUR NATO GOALS IN SOME OF THESE COUNTRIES. INTERESTING POSSIBILITIES EXIST. IN ANY CASE, CLOSE US/EC CONSULTATIONS ON THESE ISSUES CAN ONLY BE HELPFUL. END SUMMARY.

2. II INTRODUCTION: IN RESPONSE TO REFTTEL, THE MISSION IS SUBMITTING AN EVALUATION OF THE CURRENT SETTING AND POSSIBLE DEVELOPMENTS WITH REGARD TO THE EUROPEAN COMMUNITY'S RELATIONS WITH THE COUNTRIES OF NATO'S SOUTHERN FLANK. THE FOCUS OF THESE COMMENTS CONCERNS THE ECONOMIC AND POLITICAL ASPECTS OF THE LINKS BETWEEN THE EC QUATERNARY AND THE NATO
CONFIDENTIAL

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PAGE 02 EC BRU 03526 01 OF 03 211908Z

SOUTHERN REGION. THE COMMUNITY'S TIES WITH THESE COUNTRIES

VARY IN QUALITY AND INTENSITY DUE TO THE DIFFERING FORM OF EC BILATERAL AGREEMENTS IN FORCE OR BEING NEGOTIATED WITH THEM, THE SEVERITY OF THE CURRENT PROBLEMS WHICH CHALLENGE THEM, AND THE NATURE AND OUTLOOK FOR THEIR GOVERNMENTS. (THIS ANALYSIS ASSUMES THAT THE UK WILL REMAIN IN THE COMMUNITY SO THAT FOR THE NEXT SEVERAL YEARS AT LEAST WE WILL BE DEALING WITH A EC OF NINE COUNTRIES ON MEDITERRANEAN QUESTIONS.)

3. III BACKGROUND: EC INTEREST IN, AND COMMITMENT TO, THE COUNTRIES OF THE NORTHERN RIM OF THE MEDITERRANEAN (GREECE, TURKEY, CYPRUS, SPAIN, PORTUGAL, MALTA AND YUGOSLAVIA) DATES FROM EARLY IN THE DEVELOPMENT OF THE COMMUNITY. THE EC OF SIX CLEARLY RECOGNIZED THE IMPORTANCE OF THE AREA ECONOMICALLY, POLITICALLY, AND STRATEGICALLY. ELEMENTS OF "MEDITERRANEAN POLICY" GRADUALLY DEVELOPED AS THE EC HAD TO FOCUS ON ITS RELATIONS WITH EACH OF THE COUNTRIES IN TURN. THE COMMUNITY'S ENLARGEMENT SERVED TO INCREASE THE SIZE OF ITS ECONOMIC STAKE IN THE MEDITERRANEAN AND THE IMPORTANCE OF THE EC AS A MARKET FOR MEDITERRANEAN COUNTRIES.

4. FROM THE BEGINNING, THE COMMISSION AND MEMBER STATES HAD MADE CLEAR TO US EUROPE'S GREAT INTEREST IN ASSURING A STABLE AND FRIENDLY RELATION WITH THE NORTHERN TIER OF THE MEDITERRANEAN AND THEIR INTEREST IN USING THE COMMUNITY'S INSTRUMENTS IN ENCOURAGING THAT RELATIONSHIP. HOWEVER, BECAUSE THE COMMUNITY IS ESSENTIALLY ONLY A CUSTOMS UNION, ITS MEANS OF ACTION HAVE BEEN CONFINED PRINCIPALLY TO THE FIELDS OF TRADE AND AID. (IN THE AID FIELD, MOREOVER, THE COMMUNITY HAS LITTLE CONTROL OVER INDIVIDUAL AID PROGRAMS OF THE NINE -- ABOVE ALL THAT OF THE FRG.) HOWEVER, OTHER INSTRUMENTS EXIST OR MAY BE CREATED IF THE COMMUNITY CAN DEVELOP A WIDER ECONOMIC RESPONSIBILITY. ONE EXAMPLE IS THE CURRENT EFFORT TO ENCOURAGE A GREATER COMMUNIT ROLE REGARDING MIGRANT WORKERS - A QUESTION OF GREAT POLITICAL AND ECONOMIC IMPORTANCE TO ALL THE MEDITERRANEAN COUNTRIES.

5. THE FIRST PHASE OF THE EC'S COMMITMENT INVOLVED
CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 03526 01 OF 03 211908Z

ASSOCIATION AGREEMENTS WITH GREECE AND TURKEY UNDER ARTICLE 238 OF THE TREATY OF ROME. THE AGREEMENT WITH GREECE CAME INTO FORCE IN 1962 AND HAS AS ITS OBJECTIVES ESTABLISHMENT OF A CUSTOMS UNION, HARMONIZATION OF AGRICULTURAL POLICY AND DEVELOPMENT OF THE GREEK ECONOMY WITH A VIEW TO FULL MEMBERSHIP IN THE EUROPEAN COMMUNITY, THOUGH THE TERMS FOR MEMBERSHIP WOULD HAVE TO BE NEGOTIATED SUBSEQUENTLY. SINCE 1968 GREEK EXPORTS HAVE ENTERED THE EC DUTY-FREE,

AND SCHEDULED REDUCTIONS IN GREEK TARIFFS WILL PROVIDE FULL DUTY-FREE ACCESS TO COMMUNITY EXPORTS BY 1984. WITH THE COMMUNITY RESPONSIBLE FOR OVER HALF OF ITS IMPORTS AND EXPORTS, GREECE IS CLEARLY AWARE OF THE IMPORTANCE OF THIS AGREEMENT.

6. THE ASSOCIATION AGREEMENT WITH TURKEY DATES FROM 1964 AND CONSISTS OF THREE STAGES: A PREPARATORY PHASE OF FIVE YEARS CHARACTERIZED BY EC EFFORTS TO PROMOTE TURKISH DEVELOPMENT, A TRANSITIONARY STAGE OF TWELVE YEARS IN WHICH THE RECIPROCAL OBLIGATIONS OF THE CUSTOMS UNION TAKE EFFECT, AND A FINAL "DEFINITIVE" STAGE IN WHICH FULL CO-ORDINATION OF ECONOMIC POLICY AND ACTUAL ENTRY AS A MEMBER STATE TAKES PLACE. LIKE GREECE, TURKEY'S TRADE IS HEAVILY LINKED TO THE EC, WITH 45 PERCENT OF TURKISH EXPORTS SHIPPED TO THE EC-9 AND 42 PERCENT OF ITS IMPORTS SOURCES THERE.

7. IN ADDITION TO THE KEY ROLE MUTUAL TRADE PLAYS IN STRENGTHENING TIES, THE GREEK AND TURKISH AGREEMENTS ALSO INCLUDE ABOUT \$400 MILLION IN LOANS FROM THE EUROPEAN INVESTMENT BANK AND PROVIDE AN INSTITUTIONAL FRAMEWORK FOR CLOSER COOPERATION VIA THE COUNCILS OF ASSOCIATION.

8. DURING THE PERIOD 1968-1972, A SECOND PHASE IN THE DEVELOPMENT OF THE EC'S SOUTHERN REGION POLICY OCCURRED, MARKED BY PROLIFERATION OF AGREEMENTS BETWEEN THE EC OF SIX, AS A FULLY-FLEDGED CUSTOMS UNION, AND THE NATION OF THE MEDITERRANEAN (AND NEAR EAST) WHICH SAW THE EC AS AN INCREASINGLY LARGE FACTOR IN THEIR FUTURE DEVELOPMENT. IN 1971 AND 1973, RESPECTIVELY, MALTA AND CYPRUS CONCLUDED ASSOCIATION AGREEMENTS REDUCING A NUMBER OF TRADE BARRIERS BETWEEN THEM AND THE COMMUNITY. THESE AGREEMENTS

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 EC BRU 03526 01 OF 03 211908Z

NOMINALLY AIM AT EVENTUAL CUSTOMS UNIONS BUT NOT EXPLICITLY AT FULL MEMBERSHIP. SIXTY-SEVEN PERCENT OF MALTESE EXPORTS IN 1972 WENT TO THE EC-9, WHICH IN TURN SUPPLIED 65 PERCENT OF MALTESE IMPORTS. THE 1971 AGREEMENT, BASED ON ARTICLE 238, PROVIDES FOR A 70 PERCENT REDUCTION IN EC TARIFFS ON MALTESE INDUSTRIAL PRODUCTS. IT HAS A DURATION, IN PRINCIPLE, OF TEN YEARS, AT WHICH TIME FURTHER EVOLUTION OF THE ASSOCIATION CAN BE CONSIDERED. FOR CYPRUS (55 PERCENT OF EXPORTS TO THE EC-9, 52 PERCENT OF IMPORTS FROM THE EC-9 IN 1972) THE UK'S EC MEMBERSHIP WAS THE KEY TO INTEREST IN THE ASSOCIATION. ITS ARTICLE 238 ACCORD, LIKE THAT OF MALTA, PROVIDES FOR IMMEDIATE PREFERENTIAL TARIFF DEDUCTIONS AND EVENTUAL NEGOTIATION OF A CUSTOMS UNION COVERING BOTH INDUSTRIAL AND AGRICULTURAL PRODUCTS.

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PAGE 01 EC BRU 03526 02 OF 03 211938Z

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C O N F I D E N T I A L SECTION 2 OF 3 EC BRUSSELS 3526

EXDIS

9. LOOSER PREFERENTIAL TRADE AGREEMENTS UNDER ROME TREATY ARTICLE 113 ("FREE TRADE" AGREEMENTS) WERE NEGOTIATED WITH SPAIN AND PORTUGAL AND ENTERED INTO FORCE IN 1970 AND 1973, RESPECTIVELY -- IN PORTUGAL'S CASE BY VIRTUE OF ITS EFTA MEMBERSHIP. IN ADDITION, A NON-PREFERENTIAL MFN TRADE AGREEMENT UNDER ARTICLE 113 WAS CONCLUDED WITH YUGOSLAVIA IN 1970.

10. THE LATEST PHASE IN SECURING CLOSER TIES WITH THE SOUTHERN REGION, THE PERIOD SINCE 1972, HAS BEEN CHARACTERIZED BY AN EC ATTEMPT TO INTRODUCE A "GLOBAL" OR OVERALL APPROACH TO ITS MEDITERRANEAN POLICY. THUS MANY EXISTING ARRANGEMENTS ARE UNDERGOING REVISION AND ENLARGEMENT-- PARTLY DUE TO THE EC'S OWN ENLARGEMENT. THE DECISION OF THE EC COUNCIL OF MINISTERS IN NOVEMBER 1972 TO PURSUE THIS COORDINATED PROGRAM IN THE MEDITERRANEAN STEMS FROM THE BASIC EC INTEREST IN ENSURING STABILITY AND ECONOMIC DEVELOPMENT IN NEIGHBORING AREAS; IN MARKETS AND SUPPLY SOURCES; AND FROM RECOGNITION OF THE MEDITERRANEAN BASIN AS A BRIDGE TO AFRICA -- WITH WHICH THE EC AND SOME OF THE NINE HAVE SPECIAL TIES.

11. THE EC HAS TRIED WITH A FAIR AMOUNT OF SUCCESS, TO PROMOTE CLOSER TIES WITH COUNTRIES IN THE SOUTHERN REGION THROUGH THE APPROACHES DESCRIBED ABOVE. A GOOD CASE CAN BE MADE THAT THE RESULTS HAVE BEEN SUPPORTIVE OF ALLIANCE SECURITY AND SOLIDARITY, ALTHOUGH THEY HAVE BEEN LIMITED AND

CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03526 02 OF 03 211938Z

THE "GLOBAL" POLICY STILL CONSISTS ESSENTIALLY OF A SERIES OF AGREEMENTS COUNTRY-BY-COUNTRY.

12. IV THE CURRENT SETTING; DESPITE THE STRONG EC INTEREST IN, AND COMMITMENT TO, CLOSE RELATIONS WITH THE SOUTHERN-FLANK COUNTRIES, IT IS OBVIOUS THAT EC MEDITERRANEAN POLICY IS NOW GOING THROUGH A PARTICULARLY DELICATE PERIOD. COMMUNITY INSTITUTIONS (COMMISSION, COUNCIL AND PARLIAMENT)--AS WELL AS THE NINE GOVERNMENTS -- ARE AWARE OF THE DANGERS AND RISKS OF THE CURRENT SITUATION, CHARACTERIZED BY ACTUAL OR POTENTIAL SEVERE POLITICAL STRAINS IN ALMOST ALL OF THESE COUNTRIES. THEY ARE EQUALLY AWARE OF THE LIMITS ON THE COMMUNITY'S ABILITY TO INFLUENCE DEVELOPMENTS AND POLICIES IN THE COUNTRIES CONCERNED.

13. THE CONSTRAINTS BECOME APPARENT ON EXAMINING CURRENT EC EFFORTS TO PURSUE AN " OVERALL APPROACH" IN THE MEDITERRANEAN. ONE CONSTRAINT IS THAT INDUSTRIAL UNDER-DEVELOPMENT IN THE MEDITERRANEAN COUNTRIES LIMITS THEIR ABILITY TO PARTICIPATE IN A FULL FREE-TRADE RELATIONSHIP WITH THE COMMUNITY. ANOTHER IS THE DEEPLY-HELD COMMUNITY VIEW, EXPLICITLY RECOGNIZED IN THE TREATY OF ROME, THAT FUTURE MEMBER STATES MUST CONFORM INTERNALLY TO THE DEMOCRATIC AND PARLIAMENTARY PRINCIPLES INHERENT IN THE WESTERN EUROPEAN SYSTEM. IN THE CASE OF GREECE, THE 1967 COUP GOT THINGS OFF THE TRACK AND BROUGHT A " FREEZE" IN CLOSER TIES WITH THE EC. EVENTS IN 1974 HAVE NOW PROVIDED FRESH STIMULUS TO THE AGREEMENT. THE NEW GREEK GOVERNMENT IS VERY KEEN TO SPEED UP THE PACE OF ASSOCIATION. THE POLITICAL IMPORTANCE OF THIS "PULL TOWARD EUROPE" WAS APPARENT IN THE STRENUOUS EFFORTS MADE BY THE NEW GOVERNMENT TO DEMONSTRATE THAT IT WAS "ACCEPTABLE" TO THE EUROPEAN COMMUNITY AND THAT ITS FORMATION WOULD SPEED THE ESTABLISHMENT OF TIGHTER TIES TO THE COMMUNITY.

14. THE EC, HOWEVER, IS COMMITTED TO A "BALANCE" IN THE ARRANGEMENTS WITH GREECE AND TURKEY AND HAS THUS FAR BEEN RELUCTANT TO GET "OUT FRONT" WITH EITHER ONE. THE SITUATION IN CYPRUS ONLY EXACERBATES THIS BALANCING ACT. NEVERTHELESS, THESE AGREEMENTS ACT AS A POSITIVE INFLUENCE, AND THE INSTRUMENTS ARE SEEN TO BE WORKING -- TARIFF RATES ARE COMING DOWN ON SCHEDULE, FINANCIAL AID PLANS ARE STEADY AND SUPPLEMENTARY ARRANGEMENTS TAKING ACCOUNT OF EC ENLARGEMENT

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 03526 02 OF 03 211938Z

ARE IN HAND. AGRICULTURAL ADJUSTMENT, PARTICULARLY IN THE GREEK ARRANGEMENT, WILL STRAIN THE EC, ESPECIALLY ITALY WHICH

IS A DIRECT COMPETITOR. BUT THERE SEEMS TO BE A GOOD DEAL OF MOMENTUM TOWARDS MEETING THE GOALS OF THE ACCORDS. THE PROSPECTS IN BOTH CASES ARE THAT THESE ARRANGEMENTS WILL CONTINUE ON SCHEDULE SPURRED OCCASIONALLY BY EFFORTS TO SPEED THEM UP.

15. CURRENT NEGOTIATIONS WITH SPAIN ARE STALLED DUE TO A COMPLEX OF PROBLEMS IN TRADING OFF EC AGRICULTURAL CONCESSIONS FOR ACCESS TO THE SPANISH MARKET FOR EC INDUSTRIAL PRODUCTS. IN ADDITION, A BASIC POLITICAL CONSTRAINT EXISTS IN THAT CLOSER ASSOCIATION WITH SPAIN WILL BE DIFFICULT TO ACCOMPLISH AS LONG AS THE FRANCO REGIME IS IN POWER. CURRENT PROSPECTS, HOWEVER, ARE THAT THE IMMEDIATE DIFFICULTIES WILL BE SURMOUNTED IN THE REASONABLY NEAR FUTURE AND AN AGREEMENT WILL BE SIGNED LEADING TO A FREE-TRADE ARRANGEMENT COVERING THE BULK OF SPANISH COMMUNITY TRADE. (A POLITICAL CHANGE IN SPAIN COULD, OF COURSE, MODIFY THIS PROGNOSIS IN A POSITIVE OR NEGATIVE DIRECTION AT ANY TIME.)

16. WITH RESPECT TO PORTUGAL, THE EC IS EAGER TO EXERT A POSITIVE INFLUENCE ON THE SITUATION, BUT IS AWAITING THE OUTCOME OF THE PORTUGUESE ELECTIONS BEFORE MAKING ANY MAJOR NEW MOVES. DEPENDING ON THE OUTCOME OF THE ELECTIONS, THERE COULD BE GOOD PROSPECTS FOR FURTHER EC AID AND POSSIBLE ADDITIONAL AGRICULTURAL CONCESSIONS, THOUGH POLITICALLY THIS WILL BE DIFFICULT BECAUSE OF FRENCH AND ITALIAN DOMESTIC AGRICULTURAL INTERESTS.

17. IN THE CASE OF PORTUGAL, AS WITH THE MEDITERRANEAN COUNTRIES, THE AREAS FOR INTERESTING CONCESSIONS ARE THOSE COMPETITIVE WITH FRANCE'S AND ITALY'S PRODUCTION. AS IN THE CASE OF THE EMBARGO ON YUGOSLAVIA'S (AND OTHER COUNTRIES') BEEF, THE COMMUNITY OFTEN DEMONSTRATES THAT IT IS UNABLE TO SUBORDINATE SPECIFIC ECONOMIC PROBLEMS TO GENERAL POLICY DIRECTIONS, THOUGH IT HAS DONE MORE THAN WOULD HAVE SSMED POSSIBLE FIVE YEARS AGO.

18. ONE NEW ELEMENT IN THE COMMUNITY'S APPROACH TO THE
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 EC BRU 03526 02 OF 03 211938Z

MEDITERRANEAN COUNTRIES HAS BEEN THE INCREASING SCRUTINY THE NINE HAVE GIVEN TO PROBLEMS IN THIS AREA WITHIN THE FRAMEWORK OF "POLITICAL COOPERATION." THE EC-9 FOREIGN MINISTERS AND FOREIGN MINISTRY POLITICAL DIRECTORS NOW MEET ON A REGULAR BASIS TO CONSULT AND CONSIDER THE FEASIBILITY OF COORDINATED ACTION ON FOREIGN POLICY ISSUES. IN THE PAST YEAR THEY HAVE DEVOTED A CONSIDERABLE AMOUNT OF THEIR POLITICAL COOPERATION EFFORTS TO MEDITERRANEAN AND MIDDLE EASTERN PROBLEMS. WHILE THIS ACTIVITY HAS FALLEN SHORT OF ACHIEVING A COMMON

APPROACH TO MEDITERRANEAN PROBLEMS -- MUCH LESS A DETAILED ACTION PROGRAM -- IT HAS PERMITTED THE NINE TO HAVE A BROADER EXCHANGE OF VIEWS THAN IN THE PAST AND FROM TIME TO TIME THEY HAVE INDEED REACHED AGREEMENT ON JOINT DEMARCHES. WE EXPECT THAT THIS PROCESS WILL CONTINUE AND EXPAND, SINCE IT PROVIDES A NATURAL FORUM FOR DISCUSSION AND AT LEAST THE POTENTIAL FOR JOINT ACTION IN WHICH "EUROPE'S" INFLUENCE MAY BE BROUGHT TO BEAR. FRANCE HAS ITS OWN OBJECTIVES IN THE MEDITERRANEAN AND IT HAS TRIED TO MOBILIZE THE EC IN SUPPORT OF THEM. THIS IS NOT NECESSARILY HARMFUL FROM OUR POINT OF VIEW SO LONG AS THE FRENCH GOALS ARE COMPATIBLE WITH OURS, EVEN WHEN THE PUBLICITY OVERSTATES THE FRENCH ROLE, WITNESS KARAMANLIS' PUBLIC EMBRACE OF FRANCE OVER THE PAST WEEKEND IN HIS COMMENTS ON GREECE'S EUROPEAN ASPIRATIONS.

CONFIDENTIAL

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CONFIDENTIAL

PAGE 01 EC BRU 03526 03 OF 03 211953Z

63

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FM USMISSION EC BRUSSELS

TO SECSTATE WASHDC 8713

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C O N F I D E N T I A L SECTION 3 OF 3 EC BRUSSELS 3526

EXDIS

19. V CONCLUSIONS: IT IS PLAIN THAT THE EC IS COMMITTED TO THE GOALS OF ACTIVE PARTICIPATION IN THE DEVELOPMENT OF THE MEDITERRANEAN REGION AS A WHOLE, AND THE NORTHERN TIER (INCLUDING PORTUGAL) IN PARTICULAR. IT HAS SECURED CONTRACTUAL, THOUGH LIMITED, RELATIONSHIPS WITH THE SOUTHERN-FLANK COUNTRIES. THE EC NEVERTHELESS FACES A PERPLEXING PROBLEM. THE COMMUNITY QU A COMMUNITY IN THE DELICATE CURRENT SITUATION HAS SO FAR BEEN UNABLE TO "BRING IT ALL TOGETHER." CONTRIBUTING TO ITS DIFFICULTIES ARE THE IMPORTANT ROLE THAT BILATERAL MEMBER-STATE INITIATIVES CONTINUE TO PLAY, THE UNPREDICTABILITY OF HOW FAR "POLITICAL COOPERATION" CAN GO, AND THE DIFFERING VIEWS OF MEMBER STATES ON THE POLITICAL RESPECTABILITY OF MEDITERRANEAN REGIMES. THESE DIFFICULTIES

ARE LESS TROUBLESOME WITH SOME OF THE MEDITERRANEAN COUNTRIES THAN WITH OTHERS.

20. THE BASIC QUESTION WHICH NEEDS TO BE ADDRESSED IS HOW CAN THE EC'S ARRANGEMENTS INFLUENCE SOUTHERN-FLANK DEVELOPMENTS POSIBIVELY FROM AN ALLIANCE STANDPOINT -- OBVIOUSLY WITHOUT USING THE NATO LABEL. JUST AS IMPORTANT, WHAT SHOULD THE UNITED STATES DO TO ENCOURAGE THE EC IN THIS DIRECTION?

21. DESPITE THE INTERNAL CONSTRAINTS ON THE EC, ITS ECONOMIC IMPORTANCE TO THE MEDITERRANEAN COUNTRIES AND ITS ROLE IN ESTABLISHING FOR THEM A "EUROPEAN" IDENTITY, GIVE IT CONSIDERABLE POTENTIAL LEVERAGE. EXPERIENCE UNDER THE EXISTING ARRANGEMENTS, AND THE DYNAMICS OF THE CURRENT NEGOTIATIONS, CONFIDENTIAL

CONFIDENTIAL

PAGE 02 EC BRU 03526 03 OF 03 211953Z

DEMONSTRATE THAT THE EC IS VIEWED WITH CONSIDERABLE INTEREST AND ATTRACTIVENESS BY SOUTHERN-FLANK NATIONS, AND THERE IS MUCH TO COMMEND CLOSER TIES FROM THEIR POINT OF VIEW.

22. THE COMMUNITY HAS FOUR KINDS OF INSTRUMENTS FOR EXERCISING LEVERAGE AND STRENGTHENING RELATIONS WITH SOUTHERN-FLANK COUNTRIES: (1) TRADE POLICY, ESPECIALLY THE SPEEDING UP OF REDUCTIONS OF TRADE BARRIERS BETWEEN IT AND THE MEDITERRANEAN COUNTRIES; (2) INCREASED FINANCIAL ASSISTANCE, TECHNICAL AND INDUSTRIAL COOPERATION; (3) FURTHER DEVELOPMENT OF COMMUNITY POLICIES IN NON-TRADITIONAL BUT POLITICALLY-REQUARDING AREAS, E.G., MIGRANT LABOR; AND (4) THE BESTOWAL OF A MORE DRAMATIC "EUROPEAN" IMPRINT ON ITS RELATIONS WITH THESE COUNTRIES.

23. EACH OF THESE INSTRUMENTS PRESENTS DIFFICULTIES. THE MEDITERRANEAN COUNTRIES THEMSELVES WOULD BE UNABLE TO TOLERATE COMPLETE FREE TRADE. EUROPE, ON THE OTHER HAND, MEETS STRONG ECONOMIC/POLITICAL PROBLEMS, ESPECIALLY IN ITALY AND FRANCE, IN FURTHER OPENING ITS MARKETS TO THE PRODUCTS OF GREATEST INTEREST, MEDITERRANEAN AGRICULTURAL COMMODITIES. IT ALSO RISKS PROBLEMS WITH COMPETING THIRD-COUNTRY SUPPLIERS LIKE THE UNITED STATES IN CERTAIN CASES; E.G., CITRUS, TOBACCO.

24. INCREASED FINANCIAL AID MEANS ANOTHER TRIP TO THE "MILK COW," GERMANY, WHICH CLAIMS THAT ITS FINANCIAL SUPPORT OF COMMUNITY POLICIES HAS ALREADY PASSED REASONABLE LIMITS. NO ONE HAS YET SUCCEEDED IN DEINING INDUSTRIAL AND TECHNICAL COOPERATION WITH THESE MID-LEVEL DEVELOPING COUNTRIES IN ANY MEANINGFUL SENSE OTHER THAN THE FINANCIAL ONE, AND ANYWAY DECISION-MAKING IN THIS AREA IS FUNDAMENTALLY A PRIVATE-SECTOR CONCERN. NEW COMMUNITY POLICIES IN THE ECONOMIC FIELD ARE DIFFICULT WHEN THE COMMUNITY IS STILL TREADING WATER IN THE WAKE OF THE BRITISH RENEGOTIATION. BESTOWAL OF THE

"EUROPEAN" LABEL IS DIFFICULT IN THE CASE OF AN AUTOCRATIC AND UNCERTAIN SPAIN, AND ENIGMATIC PORTUGAL, MUTUALLY-JEALOUS GREECE, TURKEY AND CYPRUS, APOSTATE YUGOSLAVIA, AND AN ERRATIC MALTA.

25. HOWEVER, THE ADVANTAGES FOR ALLIANCE OBJECTIVES COULD BE CONSIDERABLE OVER TIME. MANY IN THE COMMUNITY ALREADY SEE THIS BUT NEED TO CONSOLIDATE THEIR APPROACHES ON HOW TO HANDLE THE CONFIDENTIAL

CONFIDENTIAL

PAGE 03 EC BRU 03526 03 OF 03 211953Z

OBSTACLES. A DRAMATIC BREAKTHROUGH MIGHT BE POSSIBLE, COINED IN TERMS OF A TRULY "GLOBAL" APPROACH (OR APPROACHES). THIS HAS SO FAR BEEN ESSENTIALLY "EURO-JARGON." USING THE INSTRUMENTS EXPLAINED ABOVE, THE NINE MIGHT, FOR EXAMPLE, ATTEMPT A CONSOLIDATED APPROACH TOWARD EACH END OF THE MEDITERRANEAN IF POLITICAL CONDITIONS ARE PROPITIOUS -- AND THE WILL EXISTS OR CAN BE STIMULATED. AN IBERIAN PENINSULA COOPERATION AGREEMENT COULD BE FOUNDED ON CLOSER COOPERATION BETWEEN SPAIN AND PORTUGAL IN THEIR EFFORTS TO PULL CLOSER TO THE COMMUNITY. THERE COULD BE A SIMILAR DRAMATIC STEP PROVIDED GREECE, TURKEY, AND CYPRUS WOULD ALSO BE WILLING TO COORDINATE THEIR RECEIPT OF EUROPEAN ASSISTANCE.

26. OR, TO TAKE THE PORTUGUESE CASE ALONE, THE COMMUNITY (THE EC INSTITUTIONS AND THE NINE GOVERNMENTS) COULD MAKE A MAJOR IMPACT BY (A) OFFERING SIGNIFICANT FINANCIAL ASSISTANCE -- PERHAPS A LINE OF CREDIT TO ASSURE PORTUGAL'S TRADE ORIENTATION FOR A NUMBER OF YEARS; (B) OPENING THE EC MARKET TO SENSITIVE PORTUGUESE EXPORTS ON AN ACCELERATED BASIS; AND (C) HOLDING OUT THE POSSIBILITY OF ASSOCIATION ON THE GREEK-TURKISH MODEL IN THE NEAR TERM, WITHIN A YEAR OR SO.

27 SHOULD THE UNITED STATES THINK IT WORTH THE EFFORT TO ENCOURAGE EUROPE IN A MORE ACTIVE MEDITERRANEAN POLICY, WE COULD CONCEIVABLY MAKE THE EFFORT THROUGH THREE APPROACHES: (A) QUIET DIPLOMATIC EMPHASIS ON THE POLITICAL IMPORTANCE OF SUCH A STRATEGY FOR EUROPE AND AS A MEANS OF BUTTRESSING THE ALLIANCE; (B) USING OUR OWN TRADE AND ECONOMIC POLICIES AS ONE MEANS OF ENCOURAGING SUCH A EUROPEAN APPROACH; AND (C) CLOSE US/COMMUNITY CONSULTATION AND COORDINATION IN ECONOMIC AND POLITICAL ACTIVITIES IN THE AREA.

28. POLITICAL CRISES NOW GRIP MUCH OF THE NORTHERN MEDITERRANEAN. ALLIANCE AIMS AND COHESION CAN ONLY SUFFER UNTIL THESE CRISES ARE SOLVED. THE COMMUNITY'S STAKE -- AND THAT OF THE EC GOVERNMENTS -- IN THE MEDITERRANEAN IS STRONG. ITS LEVERAGE CAN BE USED FOR POLITICAL GOALS IF THE WILL EXISTS. AN AIMLESS EUROPEAN COMMUNITY WILL BE UNABLE TO TAKE FULL ADVANTAGE OF THE POLITICAL POSSIBILITIES. THE UNITED STATES MAY WELL WISH TO CONCERT WITH THE COMMUNITY MORE CLOSELY ON THESE MATTERS TAKING CARE, HOWEVER, TO RESPECT THE FACT THAT

CONFIDENTIAL

CONFIDENTIAL

PAGE 04 EC BRU 03526 03 OF 03 211953Z

THE EC IS ECONOMIC BY CONTENT; IS NOT COTERMINOUS WITH THE
ALLIANCE; AND THAT THE NINE ARE STILL ONLY BEGINNING TO FORM
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Message Attributes

Automatic Decaptioning: Z
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: POLITICAL STABILITY, ECONOMIC CONDITIONS, MILITARY POLICIES
Control Number: n/a
Copy: SINGLE
Draft Date: 21 APR 1975
Decaption Date: 28 MAY 2004
Decaption Note: 25 YEAR REVIEW
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: MartinML
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975ECBRU03526
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
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From: EC BRUSSELS
Handling Restrictions: n/a
Image Path:
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Office: ACTION SS
Original Classification: CONFIDENTIAL
Original Handling Restrictions: EXDIS
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 10
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: EXDIS
Reference: 75 STATE 81646
Review Action: RELEASED, APPROVED
Review Authority: MartinML
Review Comment: n/a
Review Content Flags:
Review Date: 16 APR 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <16 APR 2003 by BoyleJA>; APPROVED <17 SEP 2003 by MartinML>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: SITUATION ON EUROPE'S SOUTHERN FLANK -- THE EC PERSPECTIVE
TAGS: PFOR, US, EEC
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006